

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND SCHEDULE OF FINDINGS

JUNE 30, 2015

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

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SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Officials  
June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Lee Ann Grimley	Board President	2017
Tami Gillmore	Vice President	2015
Todd Nulle	Board Member	2015
Laura Riley	Board Member	2015
Deanna Wagaman	Board Member	2017
<b>School Officials</b>		
Amy Kortemeyer	Superintendent	2015
Stacey Matus	District Secretary/Treasurer	Indefinite
Brian Gruhn	Attorney	Indefinite

# Kay L. Chapman, CPA PC

116 Harrison Street  
Muscatine, Iowa 52761  
563-264-1385  
kchapman@cpakay.com

## Independent Auditor's Report

To the Board of Education of  
Springville Community School District:

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Springville Community School District, Springville, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Springville Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Emphasis of Matter

As discussed in Note 13 to the financial statements, Springville Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. My opinions are not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 48 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Springville Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 21, 2016 on my consideration of Springville Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Springville Community School District's internal control over financial reporting and compliance.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
March 21, 2016

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Springville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,923,972 in fiscal 2014 to \$4,083,791 in fiscal 2015, and General Fund expenditures decreased from \$4,337,277 in fiscal 2014 to \$4,054,925 in fiscal 2015. The District's General Fund balance increased from \$492,215 in fiscal 2014 to \$521,681 in fiscal 2015, a 6% increase.
- The increase in General Fund revenue was primarily due to an increase in property tax revenue, tuition, and state sources. The district's General Fund property tax revenue increased due to an increase in taxable valuations.
- The decrease in expenditures in the amount of \$282,352 can be attributed to the district's concerted effort to reduce expenditures through the line item budget and financial planning and forecasting. The District's General Fund ending balance increased by \$29,466 which is a significant improvement from the 46% decrease reported in the June 30, 2014 MD&A. The General Fund balance at June 30, 2015 was \$521,681 or 13% of the General Fund expenses.
- The District's unspent authorized budget increased by \$3,718 from \$1,449,862 to \$1,453,580 from FY14 to FY15. This may seem like an insignificant increase; however, the district has worked hard to reverse the downward trend from the previous 3 years.
- The District's General Fund solvency ratio (Unassigned fund balance + Assigned fund balance/General Fund revenues minus AEA Flow-through) at June 30, 2014 was 27%. The District's General Fund solvency ratio at June 30, 2015 was 10.18%.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Springville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Springville Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds.



Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and enterprise funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Springville Community School District Annual Financial Report**

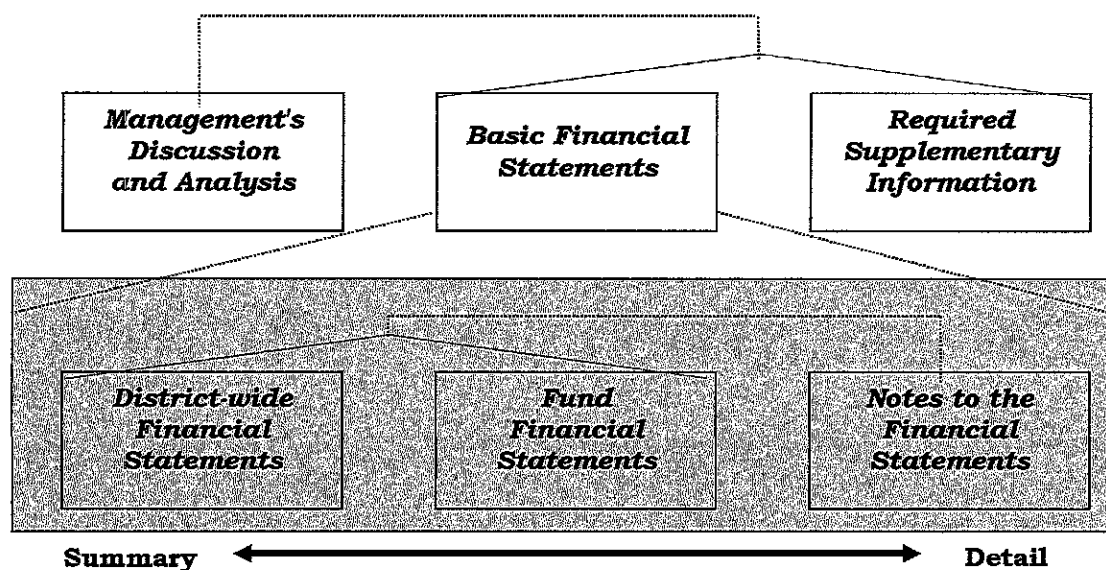


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and preschool programs are included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Capital Projects Funds and the Debt Service Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Preschool Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3

#### Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Current and other assets	\$ 3,912,566	\$ 3,496,059	\$ 32,585	\$ 21,905	\$ 3,945,151	\$ 3,517,964	12.14%
Capital assets	<u>4,859,084</u>	<u>5,011,112</u>	<u>36,837</u>	<u>42,957</u>	<u>4,895,921</u>	<u>5,054,069</u>	-3.13%
Total assets	<u>8,771,650</u>	<u>8,507,171</u>	<u>69,422</u>	<u>64,862</u>	<u>8,841,072</u>	<u>8,572,033</u>	3.14%
Deferred outflows of resources	<u>226,507</u>	-	<u>8,373</u>	-	<u>234,880</u>	-	100.00%
Long-term liabilities	4,238,674	3,056,550	38,950	-	4,277,624	3,056,550	39.95%
Other liabilities	<u>564,578</u>	<u>547,828</u>	<u>13,640</u>	<u>14,941</u>	<u>578,218</u>	<u>562,769</u>	2.75%
Total liabilities	<u>4,803,252</u>	<u>3,604,378</u>	<u>52,590</u>	<u>14,941</u>	<u>4,855,842</u>	<u>3,619,319</u>	34.16%
Deferred inflows of resources	<u>2,157,568</u>	<u>1,525,980</u>	<u>15,593</u>	-	<u>2,173,161</u>	<u>1,525,980</u>	42.41%
Net position							
Net investment in							
capital assets	2,041,112	2,041,112	36,837	42,957	2,077,949	2,084,069	-0.29%
Restricted	1,281,208	977,422	-	-	1,281,208	977,422	31.08%
Unrestricted	<u>(1,284,983)</u>	<u>358,279</u>	<u>(27,225)</u>	<u>6,964</u>	<u>(1,312,208)</u>	<u>365,243</u>	-459.27%
Total net position	<u>\$ 2,037,337</u>	<u>\$ 3,376,813</u>	<u>\$ 9,612</u>	<u>\$ 49,921</u>	<u>\$ 2,046,949</u>	<u>\$ 3,426,734</u>	-40.27%

The District's total net position decreased by approximately 40%, or \$1,379,785, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$303,786, or approximately 32% over the prior year. The increase was primarily a result of increases in both the PPEL fund balance and the SAVE fund balance.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$1,677,451, or approximately 459%. The decrease in unrestricted net position was primarily a result of the net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,683,604 and \$49,658, respectively, to retroactively, report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4  
Change in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Revenues							
Program revenues							
Charges for service and sales	\$ 623,863	\$ 524,183	\$ 131,515	\$ 120,098	\$ 755,378	\$ 644,281	17.24%
Operating grants	609,266	587,936	78,980	73,377	688,246	661,313	4.07%
General revenues							
Property tax	1,618,304	1,446,278	-	-	1,618,304	1,446,278	11.89%
Statewide sales, services and use tax	354,540	328,277	-	-	354,540	328,277	8.00%
Unrestricted state grants	1,637,224	1,672,230	-	-	1,637,224	1,672,230	-2.09%
Contributions and donations	11,829	32,944	-	-	11,829	32,944	-64.09%
Unrestricted investment earnings	2,799	3,700	58	26	2,857	3,726	-23.32%

Other	<u>7,392</u>	<u>16,306</u>	<u>-</u>	<u>-</u>	<u>7,392</u>	<u>16,306</u>	-54.67%
Total revenues	<u>4,865,217</u>	<u>4,611,854</u>	<u>210,553</u>	<u>193,501</u>	<u>5,075,770</u>	<u>4,805,355</u>	5.63%
Program expenses							
Governmental activities							
Instruction	2,762,541	2,963,533	-	-	2,762,541	2,963,533	-6.78%
Support services	1,341,437	1,555,087	-	-	1,341,437	1,555,087	-13.74%
Non-instructional programs	-	-	201,204	194,756	201,204	194,756	3.31%
Other expenses	<u>417,111</u>	<u>352,491</u>	<u>-</u>	<u>-</u>	<u>417,111</u>	<u>352,491</u>	18.33%
Total expenses	<u>4,521,089</u>	<u>4,871,111</u>	<u>201,204</u>	<u>194,756</u>	<u>4,722,293</u>	<u>5,065,867</u>	-6.78%
Change in net position	344,128	(259,257)	9,349	(1,255)	353,477	(260,512)	-235.69%
Transfers	-	(1,848)	-	1,848	-	-	0.00%
Net position beginning of year, as restated	<u>1,693,209</u>	<u>3,637,918</u>	<u>263</u>	<u>49,328</u>	<u>1,693,472</u>	<u>3,687,246</u>	-54.07%
Net position end of year	<u>\$ 2,037,337</u>	<u>\$ 3,376,813</u>	<u>\$ 9,612</u>	<u>\$ 49,921</u>	<u>\$ 2,046,949</u>	<u>\$ 3,426,734</u>	-40.27%

In fiscal year 2015, property tax and unrestricted state grants accounted for approximately 67% of governmental activities revenue while charges for service and sales and operating grants and contributions accounted for almost 100% of business type activities revenue. The District's total revenues were \$5,075,770 of which \$4,865,217 was for governmental activities and \$210,553 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5% increase in revenues and a 7% decrease in expenses. The increases in revenues are largely due to an increase in open enrollment and special education tuition, SAVE dollars, and property tax revenue. The decrease in expenditures occurred in the functional areas of instruction and support services.

### Governmental Activities

Revenues for governmental activities were \$4,865,217 and expenses were \$4,521,089 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	<u>2015</u>	2014 (Not restated)	Change 2014- 2015	<u>2015</u>	2014 (Not restated)	Change 2014- 2015
Instruction	\$ 2,762,541	\$ 2,963,533	-6.8%	\$ 1,719,074	\$ 2,018,367	-14.8%
Support services	1,341,437	1,555,087	-13.7%	1,327,450	1,547,241	-14.2%
Other expenses	<u>417,111</u>	<u>352,491</u>	18.3%	<u>241,436</u>	<u>193,384</u>	24.8%
Total expenses	<u>\$ 4,521,089</u>	<u>\$ 4,871,111</u>	-7.2%	<u>\$ 3,287,960</u>	<u>\$ 3,758,992</u>	-12.5%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$623,863.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$609,266.
- The net cost of governmental activities was financed with \$1,972,844 in property and other taxes and \$1,637,224 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities for the year ended June 30, 2015 were \$210,553 representing a 9% increase over the prior year, while expenses totaled \$201,204, a 4% increase over the prior year. The District's business type activities include the School Nutrition Fund and Preschool Fund for 3 year olds. Revenues of these activities were comprised of charges for services, tuition, federal and state reimbursements and investment income. The increase in revenue for the 3 year old Preschool Fund is due to an increase in tuition revenue as a result of enrollment growth.

The increase in revenue from FY14 to FY15 in the School Nutrition Fund is due to the increase in meal receipts and increase in federal reimbursements. The increase in expenditures in the Nutrition Fund is attributable to the increased cost for food, supplies, salaries and benefits.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Springville Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,683,962, well above last year's ending fund balances of \$1,414,488. The primary reason for the increase of \$269,474 in combined fund balances in fiscal 2015 is due to an increase in revenue sources and decrease in expenditures.

### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of many factors but the biggest factor is the district's effort to reduce General Fund expenditures where and when possible.
- The General Fund balance increased from \$492,215 to \$521,681, due in part to the increase in property tax valuations, state revenue sources, and the concerted effort to decrease expenditures.
- The Capital Projects - Statewide Sales, Services and Use Tax Fund balance increased from \$432,041 to \$511,440 due to increased revenue.
- The Capital Projects - Physical Plant and Equipment Levy Fund balance increased from \$32,686 in 2014 to \$204,657 in 2015 due to increased revenue and minimal expenditures in this fund.

### **Proprietary Fund Highlights**

Enterprise Fund net position increased from \$263 at June 30, 2014 to \$9,612 at June 30, 2015, representing an increase of approximately 3,555%. The increased net position is due largely to the increase in revenue from tuition charged for the 3 year old preschool program.

### **BUDGETARY HIGHLIGHTS**

The District did not amend its budget during the year ended June 30, 2015.

The District's total revenues were \$213,121 more than total budgeted revenues, a variance of approximately 5%. The most significant variance resulted from the District receiving more in state and local revenue sources than anticipated and a significant increase in student activities and sales.

Total expenditures were \$1,106,816 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2015, the District had invested \$4,895,921, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of approximately 3% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$172,458.

The original cost of the District's capital assets was \$9,307,311. Governmental funds account for \$9,198,242, with the remainder of \$109,069 accounted for in the Proprietary, School Nutrition Fund.

The largest change was in the furniture and equipment category, which decreased from \$303,228 at June 30, 2014 to \$241,933 at June 30, 2015.



Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 332,167	\$ 332,167	\$ -	\$ -	\$ 332,167	\$ 332,167	0.00%
Buildings and improvements	4,261,728	4,357,253	-	-	4,261,728	4,357,253	-2.19%
Site improvements	60,093	61,421	-	-	60,093	61,421	-2.16%
Furniture and equipment	<u>205,096</u>	<u>260,271</u>	<u>36,837</u>	<u>42,957</u>	<u>241,933</u>	<u>303,228</u>	-20.21%
Totals	<u>\$4,859,084</u>	<u>\$5,011,112</u>	<u>\$36,837</u>	<u>\$42,957</u>	<u>\$4,895,921</u>	<u>\$5,054,069</u>	-3.13%

### Long-Term Debt

At June 30, 2015, the District had \$4,277,624 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 14% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of "A-" assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$6.1 million.

Figure A-7  
Outstanding Long-term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2015	2014 (restated)	2014- 2015
Governmental activities			
Revenue bonds	\$ 2,845,000	\$ 2,970,000	-4.21%
Termination benefits	-	13,874	-100.00%
Net pension liability	1,318,207	1,880,570	-29.90%
Net OPEB liability	<u>75,467</u>	<u>72,676</u>	3.84%
	4,238,674	4,937,120	-14.15%
Business type activities			
Net pension liability	<u>38,950</u>	<u>49,658</u>	-21.56%
Total	<u>\$ 4,277,624</u>	<u>\$ 4,986,778</u>	-14.22%

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which could significantly affect its financial health in the future:

- The District's certified enrollment on October 1, 2015 was down 8.4 students from October 1, 2014. The District is hopeful that the enrollment has started to stabilize, which is critical in maintaining a sound financial position.
- July 1, 2015 the District will enter into a sharing agreement with the Lisbon Community School District to share a ½ time superintendent in an effort to save administrative costs. The District will continue a sharing agreement with 4 other districts to share a Human Resources Manager. This offers the District cost savings and will generate \$83,304 in supplementary weighting from the State.
- The District anticipates holding a special election to ask voters to approve a \$2.70 levy for a different plan to address the needs for the elementary facility. The voters did not approve the bond issue held on September 9, 2014 asking for a \$4.05 levy.
- The general fund balance increased in FY15 due to the district's decrease in expenditures such as efforts to share staff with other school districts to minimize the cost of salaries and benefits. The District has reduced staff, shortened contracts, and is monitoring all expenditures. The District realizes that with declining enrollment it is a necessity to reduce expenditures to protect the general fund balance.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority; however the district was able to reverse the downward trend in FY15 due to budget reductions.
- The District has set solvency ratio targets of: Minimum-12%; Average-16%; and Maximum-20%. FY15 ended with a solvency ratio of 10.18%. It will be important to maintain an adequate cash reserve levy to stay within the targeted goal of financial solvency and it will be equally important to monitor and make adjustments to recurring expenses such as salaries and benefits which represent the majority of the operating budget.
- The District will be allowed to generate operating funds by use of the cash reserve levy for FY15; which was not allowed in budget years FY13 and FY14 according to Iowa Code.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Stacey Matus, District Secretary/Treasurer and Business Manager, Springville Community School District, 400 Academy Street, Springville, Iowa 52336.

## Basic Financial Statements

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2015

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments			
Cash with fiscal agent	\$ 678,928	\$ -	\$ 678,928
Other	1,397,586	26,661	1,424,247
Receivables			
Property tax			
Delinquent	3,011	-	3,011
Succeeding year	1,655,580	-	1,655,580
Accounts receivable	1,681	869	2,550
Income surtax	77,975	-	77,975
Due from other governments	97,805	-	97,805
Inventories	-	5,055	5,055
Non-depreciable capital assets	332,167	-	332,167
Capital assets, net of accumulated depreciation	4,526,917	36,837	4,563,754
Total assets	<u>8,771,650</u>	<u>69,422</u>	<u>8,841,072</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>226,507</u>	<u>8,373</u>	<u>234,880</u>
<b>Liabilities</b>			
Accounts payable	59,404	494	59,898
Salaries and benefits payable	335,612	10,673	346,285
Accrued interest payable	69,529	-	69,529
Unearned revenue	-	2,473	2,473
Due to other governments	100,033	-	100,033
Long-term liabilities			
Portion due within one year			
Revenue bonds payable	135,000	-	135,000
Portion due after one year			
Revenue bonds payable	2,710,000	-	2,710,000
Net pension liability	1,318,207	38,950	1,357,157
Net OPEB liability	75,467	-	75,467
Total liabilities	<u>4,803,252</u>	<u>52,590</u>	<u>4,855,842</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2015

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	\$1,655,580	\$ -	\$ 1,655,580
Pension related deferred inflows	501,988	15,593	517,581
Total deferred inflows of resources	<u>2,157,568</u>	<u>15,593</u>	<u>2,173,161</u>
 Net investment in capital assets	 2,041,112	 36,837	 2,077,949
Restricted for			
Categorical funding	118,927	-	118,927
Management levy purposes	44,496	-	44,496
Physical plant and equipment	204,657	-	204,657
Student activities	76,505	-	76,505
School infrastructure	511,440	-	511,440
Debt service	325,183	-	325,183
Unrestricted	<u>(1,284,983)</u>	<u>(27,225)</u>	<u>(1,312,208)</u>
	<u>\$2,037,337</u>	<u>\$ 9,612</u>	<u>\$ 2,046,949</u>
Total net position			

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2015

Exhibit B

Functions/Programs Governmental activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities	Total Activities
Instruction						
Regular instruction	\$ 1,918,817	\$ 537,606	\$ 377,381	\$ -	\$ (1,003,830)	\$ (1,003,830)
Special instruction	416,699	74,898	51,088	-	(290,713)	(290,713)
Other instruction	427,025	-	2,494	-	(424,531)	(424,531)
	<u>2,762,541</u>	<u>612,504</u>	<u>430,963</u>	<u>-</u>	<u>(1,719,074)</u>	<u>(1,719,074)</u>
Support services						
Student	141,179	-	-	-	(141,179)	(141,179)
Instructional staff	134,611	-	1,760	-	(132,851)	(132,851)
Administration	538,008	-	-	-	(538,008)	(538,008)
Operation and maintenance of plant	347,134	-	-	-	(347,134)	(347,134)
Transportation	180,505	11,359	868	-	(168,278)	(168,278)
	<u>1,341,437</u>	<u>11,359</u>	<u>2,628</u>	<u>-</u>	<u>(1,327,450)</u>	<u>(1,327,450)</u>
Other expenses						
Facilities acquisition	12,514	-	-	-	(12,514)	(12,514)
Long-term debt interest	140,557	-	-	-	(140,557)	(140,557)
AEA flowthrough	160,956	-	160,956	-	-	-
Depreciation (unallocated) *	103,084	-	14,719	-	(88,365)	(88,365)
	<u>417,111</u>	<u>-</u>	<u>175,675</u>	<u>-</u>	<u>(241,436)</u>	<u>(241,436)</u>
Total governmental activities	<u>4,521,089</u>	<u>623,863</u>	<u>609,266</u>	<u>-</u>	<u>(3,287,960)</u>	<u>(3,287,960)</u>

See notes to financial statements.

## Exhibit B

## For the Year Ended June 30, 2015

\* This amount excludes the depreciation included in the direct expenses of the various programs.

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SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet  
Governmental Funds  
June 30, 2015

		Capital Projects			Nonmajor Governmental Funds	Total
		Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy			
<b>Assets</b>	<u>General</u>					
Cash, cash equivalents and pooled investments						
Cash with fiscal agent	\$ -	\$ 327,258	\$ -	\$351,670	\$ 678,928	
Other	937,648	156,741	208,049	95,148	1,397,586	
Receivables						
Property tax						
Delinquent	2,525	-	401	85	3,011	
Succeeding year	1,387,510	-	213,070	55,000	1,655,580	
Accounts receivable	51	-	-	1,630	1,681	
Income surtax	77,975	-	-	-	77,975	
Due from other governments	70,291	27,441	66	7	97,805	
Due from other funds	-	-	-	26,487	26,487	
Total assets	<u>\$2,476,000</u>	<u>\$ 511,440</u>	<u>\$421,586</u>	<u>\$530,027</u>	<u>\$3,939,053</u>	
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
Liabilities						
Accounts payable	\$ 53,189	\$ -	\$ 3,859	\$ 2,356	\$ 59,404	
Salaries and benefits payable	335,612	-	-	-	335,612	
Due to other governments	100,033	-	-	26,487	126,520	
Total liabilities	<u>488,834</u>	<u>-</u>	<u>3,859</u>	<u>28,843</u>	<u>521,536</u>	
Deferred inflows of resources						
Unavailable revenue						
Succeeding year property tax	1,387,510	-	213,070	55,000	1,655,580	
Income surtax	77,975	-	-	-	77,975	
Total deferred inflows of resources	<u>1,465,485</u>	<u>-</u>	<u>213,070</u>	<u>55,000</u>	<u>1,733,555</u>	
Fund balances						
Restricted for						
Categorical funding	118,927	-	-	-	118,927	
School infrastructure	-	511,440	-	-	511,440	
Student activities	-	-	-	76,505	76,505	
Management levy purposes	-	-	-	44,496	44,496	
Physical plant and equipment	-	-	204,657	-	204,657	
Debt service	-	-	-	325,183	325,183	
Unassigned	402,754	-	-	-	402,754	
Total fund balances	<u>521,681</u>	<u>511,440</u>	<u>204,657</u>	<u>446,184</u>	<u>1,683,962</u>	
Total liabilities, deferred inflows of resources and fund balances	<u>\$2,476,000</u>	<u>\$ 511,440</u>	<u>\$421,586</u>	<u>\$530,027</u>	<u>\$3,939,053</u>	

See notes to financial statements.



SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
June 30, 2015

Exhibit D

<b>Total fund balances of governmental funds</b>		<b>\$1,683,962</b>
<b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		4,859,084
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		77,975
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(69,529)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$226,507	
Deferred inflows of resources	<u>(501,988)</u>	(275,481)
Long-term liabilities, including bonds and notes payable, termination benefits and other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(4,238,674)</u>
<b>Net position of governmental activities</b>		<b><u>\$2,037,337</u></b>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

Exhibit E

		Capital Projects		Nonmajor Governmental Funds	Total
		Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy		
Revenues	General				
Local sources					
Local tax	\$1,365,301	\$ -	\$ 206,403	\$ 44,243	\$1,615,947
Tuition	403,462	-	-	-	403,462
Other	81,031	394	363	172,729	254,517
State sources	2,152,555	354,540	330	71	2,507,496
Federal sources	81,442	-	-	-	81,442
Total revenues	<u>4,083,791</u>	<u>354,934</u>	<u>207,096</u>	<u>217,043</u>	<u>4,862,864</u>
Expenditures					
Current					
Instruction					
Regular	1,966,621	-	5,580	848	1,973,049
Special	426,288	-	-	-	426,288
Other	276,506	-	-	159,561	436,067
	<u>2,669,415</u>	<u>-</u>	<u>5,580</u>	<u>160,409</u>	<u>2,835,404</u>
Support services					
Student	144,907	-	-	-	144,907
Instructional staff	113,917	-	2,760	7,575	124,252
Administration	517,880	-	6,540	22,896	547,316
Operation and maintenance of plant	304,284	-	1,500	39,768	345,552
Transportation	143,566	-	-	8,805	152,371
	<u>1,224,554</u>	<u>-</u>	<u>10,800</u>	<u>79,044</u>	<u>1,314,398</u>
Other expenditures					
Facilities acquisition	-	-	18,745	-	18,745
Long-term debt					
Principal	-	-	-	125,000	125,000
Interest and fiscal charges	-	-	-	143,057	143,057
AEA flowthrough	160,956	-	-	-	160,956
	<u>160,956</u>	<u>-</u>	<u>18,745</u>	<u>268,057</u>	<u>447,758</u>
Total expenditures	<u>4,054,925</u>	<u>-</u>	<u>35,125</u>	<u>507,510</u>	<u>4,597,560</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

Exhibit E

	Capital Projects				
	General	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
Excess (deficiency) of revenues over (under) expenditures	\$ 28,866	\$ 354,934	\$ 171,971	\$ (290,467)	\$ 265,304
Other financing sources (uses)					
Sale of equipment and materials	170	-	-	-	170
Transfers in	430	-	-	275,535	275,965
Transfers (out)	-	(275,535)	-	(430)	(275,965)
Total other financing sources (uses)	600	(275,535)	-	275,105	170
Change in fund balances	29,466	79,399	171,971	(15,362)	265,474
Fund balance, beginning of year	492,215	432,041	32,686	461,546	1,418,488
Fund balance, end of year	\$ 521,681	\$ 511,440	\$ 204,657	\$ 446,184	\$ 1,683,962

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2015

Exhibit F

**Change in fund balances - total governmental funds** **\$ 265,474**

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense for the current year, are as follows:

Expenditures for capital assets	\$ 14,310	
Depreciation expense	<u>(166,338)</u>	(152,028)

Certain revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. 2,183

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 125,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	13,874	
Pension expense	(89,832)	
Other postemployment benefits	<u>(2,791)</u>	(78,749)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,500

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 179,748

**Change in net position of governmental activities** **\$ 344,128**

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
Proprietary Funds  
June 30, 2015

Exhibit G

	<u>Nonmajor Enterprise</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 26,661
Accounts receivable	869
Inventories	5,055
Total current assets	32,585
Noncurrent assets	
Capital assets, net of accumulated depreciation	36,837
Total assets	<u>69,422</u>
 <b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>8,373</u>
 <b>Liabilities</b>	
Current liabilities	
Accounts payable	494
Salaries and benefits payable	10,673
Unearned revenue	2,473
Total current liabilities	13,640
Noncurrent liabilities:	
Net pension liability	38,950
Total liabilities	<u>52,590</u>
 <b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	<u>15,593</u>
 <b>Net Position</b>	
Investment in capital assets	36,837
Unrestricted	(27,225)
Total net position	<u>\$ 9,612</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2015

Exhibit H

	Nonmajor
Operating revenue	<u>Enterprise</u>
Local sources	
Charges for service	<u>\$131,515</u>
Operating expenses	
Support services	
Operation and maintenance of plant	<u>2,640</u>
Non-instructional programs	
Food service operations	194,068
Preschool operations	<u>4,496</u>
	<u>198,564</u>
Total operating expenses	<u>201,204</u>
Operating loss	<u>(69,689)</u>
Non-operating revenues	
Interest income	58
State sources	1,686
Federal sources	<u>77,294</u>
Total non-operating revenues	<u>79,038</u>
Change in net position	9,349
Net position beginning of year, as restated	<u>263</u>
Net position end of year	<u>\$ 9,612</u>

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2015

Exhibit I

	Nonmajor <u>Enterprise</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 131,030
Cash payments to employees for services	(90,436)
Cash payments to suppliers for goods and services	(94,214)
Net cash used in operating activities	<u>(53,620)</u>
Cash flows from non-capital financing activities	
State grants received	1,686
Federal grants received	64,399
Net cash provided by non-capital financing activities	<u>66,085</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>58</u>
Net increase in cash and cash equivalents	12,523
Cash and cash equivalents, beginning of year	14,138
Cash and cash equivalents, end of year	<u>\$ 26,661</u>
<b>Reconciliation of operating (loss) to net cash (used in) operating activities</b>	
Operating (loss)	\$ (69,689)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities	
Depreciation	6,120
Commodities used	12,895
(Increase) in accounts receivable	(354)
Decrease in inventory	2,198
(Decrease) in net pension liability	(10,708)
(Increase) in deferred outflows of resources	(8,374)
Increase in deferred inflows of resources	15,593
Increase in accounts payable	197
(Decrease) in unearned revenue	(131)
(Decrease) in accrued salaries and benefits	(1,367)
Net cash used in operating activities	<u>\$ (53,620)</u>

**Non-cash investing, capital and related financing activities.**

During the year ended June 30, 2015, the District received \$12,895 of federal commodities.

See notes to financial statements.

## SPRINGVILLE COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2015

#### **Note 1. Summary of Significant Accounting Policies**

The Springville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Springville, Iowa, and the agricultural territory in Linn County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### **A. Reporting Entity**

For financial reporting purposes, Springville Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Springville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

##### **B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:



*Net Investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects - Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales, services and use tax to be expended for school infrastructure purposes.

The Capital Projects - Physical Plant and Equipment Levy Fund is used to account for all resources from the regular and voter-approved levy used for major expenditures related to real property and equipment.

The District reports no major proprietary funds. However, it reports two non-major enterprise funds, the School Nutrition Fund and Preschool Fund, which are used to account for the school nutrition and preschool operations, respectively of the district.

### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings & Improvements	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same

basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and income surtax receivables not collected within sixty days after year end and amounts paid by students for meals not yet served.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$44,496 for management levy purposes, \$204,657 for physical plant and equipment, \$325,183 for debt service, \$76,505 for

student activities and \$511,440 for school infrastructure.

**E. Budgeting and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

**F. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 2. Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

**Note 3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer To	Transfer From	Amount
	Nonmajor special revenue	
General	Student activities	\$ 430
Nonmajor governmental	Capital projects	
Debt service	Statewide sales, service and use tax	275,535
		<u>\$ 275,965</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. These transfers were to move funds from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund for payment of principal and interest on debt. The other transfers were to correct miscoding of expenditures.

#### Note 4. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-major special revenue fund	Non-major governmental fund	
Management	Debt service	\$ 26,487

The Debt Service Fund had a negative cash balance at June 30, 2015. Since the fund shares a bank account with the Management Fund, the negative cash balance is reported as a Due To and Due From Other Fund on the balance sheet.

#### Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 332,167	\$ -	\$ -	\$ 332,167
Capital assets being depreciated:				
Buildings and improvements	7,132,716	6,231	-	7,138,947
Site improvements	66,352	-	-	66,352
Furniture and equipment	1,652,697	8,079	-	1,660,776
Total capital assets being depreciated	8,851,765	14,310	-	8,866,075
Less accumulated depreciation for:				
Buildings and improvements	2,775,463	101,756	-	2,877,219
Site improvements	4,931	1,328	-	6,259
Furniture and equipment	1,392,426	63,254	-	1,455,680
Total accumulated depreciation	4,172,820	166,338	-	4,339,158
Total capital assets being depreciated, net	4,678,945	(152,028)	-	4,526,917
Governmental activities capital assets, net	<u>\$ 5,011,112</u>	<u>\$ (152,028)</u>	<u>\$ -</u>	<u>\$ 4,859,084</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 109,069	\$ -	\$ -	\$ 109,069
Less accumulated depreciation	66,112	6,120	-	72,232
Business type activities capital assets, net	<u>\$ 42,957</u>	<u>\$ (6,120)</u>	<u>\$ -</u>	<u>\$ 36,837</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$ 12,102
Other	767
Support services	
Instructional staff	12,277
Administration	1,834
Operation and maintenance of plant	5,495
Transportation	<u>30,779</u>
	63,254
Unallocated depreciation	<u>103,084</u>
Total governmental activities depreciation expense	<u>\$ 166,338</u>

**Business type activities**

Food services	<u>\$ 6,120</u>
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**Note 6. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
Revenue bonds	\$ 2,970,000	\$ -	\$ (125,000)	\$ 2,845,000	\$ 135,000
Termination benefits	13,874	-	(13,874)	-	-
Net pension liability	1,880,570	-	(562,363)	1,318,207	-
Net OPEB liability	<u>72,676</u>	<u>5,294</u>	<u>(2,503)</u>	<u>75,467</u>	<u>-</u>
Totals	<u>\$ 4,937,120</u>	<u>\$ 5,294</u>	<u>\$ (703,740)</u>	<u>\$ 4,238,674</u>	<u>\$ 135,000</u>
Business type activities					
Net pension liability	<u>\$ 49,658</u>	<u>\$ -</u>	<u>\$ (10,708)</u>	<u>\$ 38,950</u>	<u>\$ -</u>

Interest costs incurred and charged to expense on all long-term debt was \$140,557 for the year ended June 30, 2015. During the year ended June 30, 2015, the District made principal payments on total long-term debt of \$125,000.

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:



Year	Bond issue of June 25, 2009			
Ending	Interest			
June 30,	Rates	Interest	Principal	Total
2016	4.00%	\$ 136,357	\$ 135,000	\$ 271,357
2017	3.75%	131,032	140,000	271,032
2018	4.00%	125,507	145,000	270,507
2019	4.125%	119,514	150,000	269,514
2020	4.375%	112,920	160,000	272,920
2021-2025	4.5-5.0%	444,237	925,000	1,369,237
2026-2030	5.50%	170,501	1,190,000	1,360,501
Totals		<u>\$ 1,240,068</u>	<u>\$ 2,845,000</u>	<u>\$ 4,085,068</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,585,000 of bonds issued in June 2009. The bonds were issued to finance upgrades to the HVAC system at the buildings. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 80% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$4,085,068. For the current year, \$125,000 of principal and \$141,558 of interest was paid on the bonds and statewide sales, services and use tax revenues were \$354,540.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$327,257 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ended June 30, 2015.

## **Note 7. Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by

Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount

Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$185,979.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$1,357,157 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.033534 percent, which was a decrease of 0.000557 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$89,832. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,750	\$ -
Changes of assumptions	59,894	-
Net difference between projected and actual earnings on pension plan investments	-	517,581
Changes in proportion and differences between District contributions and proportionate share of contributions	(25,743)	-
District contributions subsequent to the measurement date	185,979	-
Total	<u>\$ 234,880</u>	<u>\$ 517,581</u>

\$185,979 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	
2016	\$ (117,970)
2017	(117,970)
2018	(117,970)
2019	(117,970)
2020	3,200
Total	<u>\$ (468,680)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2014)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92

Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$2,564,310	\$1,357,157	\$338,195

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPER's website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$26,122 for legally required employer contributions and \$17,405 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

## **Note 8. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. There are 55 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 2,275
Interest on net OPEB obligation	3,019
Adjustment to annual required contribution	<u>(2,503)</u>
Annual OPEB cost	2,791
Contributions made	<u>-</u>
Increase in net OPEB obligation	2,791
Net OPEB obligation beginning of year	<u>72,676</u>
Net OPEB obligation end of year	<u>\$ 75,467</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed nothing to the medical plan. Plan members eligible for benefits contributed nothing to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	2,792	0.0%	\$ 69,885
2014	2,791	0.0%	\$ 72,676
2015	2,791	0.0%	\$ 75,467

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$15,784, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of

approximately \$15,784. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.1 million and the ratio of UAAL to covered payroll was .8%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP-2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **Note 9. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$160,956 adjusting entry to the cash basis financial statements.

#### **Note 11. Contingencies**

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

#### **Note 12. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

##### Program

Home school assistance program	\$ 4,323
At-risk	1,043
Gifted and Talented	42,471
Teacher salary supplement	27,744
Statewide voluntary preschool	5,719
Early Literacy	25,689
Educator quality, professional development for model core curriculum	11,912
Educator quality, professional development	26
	<u>\$ 118,927</u>

#### **Note 13. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or



local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 3,376,813	\$ 49,921
Net pension liability at June 30, 2014	(1,880,570)	(49,658)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>196,966</u>	<u>-</u>
Net position July 1, 2014, as restated	<u>\$ 1,693,209</u>	<u>\$ 263</u>

#### **Note 14. Deficit Net Position**

The District had the following deficit net position balances at June 30, 2015.

- School Nutrition Fund, unrestricted net position \$35,660
- Enterprise Fund, unrestricted net position \$27,225
- Business type activities, unrestricted net position \$27,225
- Governmental activities, unrestricted net position \$1,284,983

#### **Note 15. Subsequent Event**

In August, 2015, the District issued School Infrastructure Sales, Services and Use Tax Revenue Bonds of \$2,820,000 to refund the 2009 revenue bond issue.

## Required Supplementary Information

# SPRINGVILLE COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual All Governmental Funds and Proprietary Funds Required Supplementary Information For the Year Ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 2,273,926	\$ 131,573	\$ 2,405,499	\$ 2,562,837	\$ 2,562,837	\$ (157,338)
State sources	2,507,496	1,686	2,509,182	2,158,526	2,158,526	350,656
Federal sources	81,442	77,294	158,736	138,933	138,933	19,803
Total revenues	<u>4,862,864</u>	<u>210,553</u>	<u>5,073,417</u>	<u>4,860,296</u>	<u>4,860,296</u>	<u>213,121</u>
Expenditures/Expenses						
Instruction	2,835,404	-	2,835,404	3,383,830	3,383,830	548,426
Support services	1,314,398	2,640	1,317,038	1,683,400	1,683,400	366,362
Non-instructional programs	-	198,564	198,564	168,800	168,800	(29,764)
Other expenditures	447,758	-	447,758	669,550	669,550	221,792
Total expenditures/expenses	<u>4,597,560</u>	<u>201,204</u>	<u>4,798,764</u>	<u>5,905,580</u>	<u>5,905,580</u>	<u>1,106,816</u>
Deficiency of revenues under expenditures/expenses	265,304	9,349	274,653	(1,045,284)	(1,045,284)	1,319,937
Net other financing sources	<u>170</u>	<u>-</u>	<u>170</u>	<u>-</u>	<u>-</u>	<u>170</u>
Net change in fund balance	265,474	9,349	274,823	(1,045,284)	(1,045,284)	1,320,107
Balance, beginning of year, as restated	1,418,488	263	1,418,751	1,101,364	1,101,364	317,387
Balance, end of year	<u>\$ 1,683,962</u>	<u>\$ 9,612</u>	<u>\$ 1,693,574</u>	<u>\$ 56,080</u>	<u>\$ 56,080</u>	<u>\$ 1,637,494</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures or expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year ended June 30, 2015.

During the year ended June 30, 2015, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.033534 %
District's proportionate share of the net pension liability	\$ 1,357,157
District's covered-employee payroll	\$ 2,082,631
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	65.17%
Plan fiduciary net position as a percetnage of the total pension liability	87.61%

\*The amounts preseneted for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of District Contributions  
Iowa Public Employees' Retirement System  
Last 10 Fiscal Years  
Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contributions	\$ 185,979	\$ 199,965	\$ 192,514	\$ 168,343	\$ 140,163	\$ 142,110	\$ 138,604	\$ 133,688	\$ 121,968	\$ 119,963
Contributions in relation to the statutorily required contribution	(185,979)	(199,965)	(192,514)	(168,343)	(140,163)	(142,110)	(138,604)	(133,688)	(121,968)	(119,963)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$2,082,631	\$2,239,250	\$2,220,461	\$2,086,035	\$2,016,734	\$2,136,992	\$2,182,740	\$2,209,719	\$2,121,183	\$2,086,313
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying Independent Auditor's Report.

Springville Community School District  
Notes to Required Supplementary Information – Pension Liability  
Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates

Springville Community School District  
Notes to Required Supplementary Information – Pension Liability  
Year ended June 30, 2015

- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation to the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.



SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan  
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$290,000	\$290,000	\$ -	\$2,205,110	13.2%
2011	July 1, 2009	-	290,000	290,000	-	2,001,711	14.5%
2012	July 1, 2009	-	290,000	290,000	-	2,119,456	13.7%
2013	July 1, 2012	-	15,784	15,784	-	2,246,183	0.7%
2014	July 1, 2012	-	15,784	15,784	-	2,310,780	0.7%
2015	July 1, 2012	-	15,784	15,784	-	2,076,080	0.8%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## Supplementary Information

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015

Schedule 1

	<u>Special Revenue</u>		<u>Debt</u>	<u>Total</u>
	<u>Student</u>	<u>Management</u>	<u>Service</u>	
	<u>Activity</u>	<u>Levy</u>		
<b>Assets</b>				
Cash, cash equivalents and pooled investments				
Cash with fiscal agent	\$ -	\$ -	\$351,670	\$351,670
Other	78,861	16,287	-	95,148
Receivables				
Property tax				
Delinquent	-	85	-	85
Succeeding year	-	55,000	-	55,000
Accounts receivable	-	1,630	-	1,630
Due from other governments	-	7	-	7
Due from other funds	-	26,487	-	26,487
Total assets	<u>\$78,861</u>	<u>\$ 99,496</u>	<u>\$351,670</u>	<u>\$530,027</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities				
Accounts payable	\$ 2,356	\$ -	\$ -	\$ 2,356
Due to other funds	-	-	26,487	26,487
Total liabilities	<u>2,356</u>	<u>-</u>	<u>26,487</u>	<u>28,843</u>
Deferred inflows of resources				
Unavailable revenue				
Succeeding year property tax	-	55,000	-	55,000
Fund balances				
Restricted for				
Student activities	76,505	-	-	76,505
Management levy purposes	-	44,496	-	44,496
Debt service	-	-	325,183	325,183
Total fund balances	<u>76,505</u>	<u>44,496</u>	<u>325,183</u>	<u>446,184</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$78,861</u>	<u>\$ 99,496</u>	<u>\$351,670</u>	<u>\$530,027</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2015

Schedule 2

	Special Revenue		Debt	
	Student	Management	Service	Total
Revenues	Activity	Levy		
Local sources				
Local taxes	\$ -	\$ 44,243	\$ -	\$ 44,243
Other	169,867	2,862	-	172,729
State sources	-	71	-	71
Total revenues	<u>169,867</u>	<u>47,176</u>	<u>-</u>	<u>217,043</u>
Expenditures				
Current				
Instruction				
Regular	-	848	-	848
Other	<u>159,561</u>	<u>-</u>	<u>-</u>	<u>159,561</u>
Total instruction	<u>159,561</u>	<u>848</u>	<u>-</u>	<u>160,409</u>
Support services				
Instructional staff	-	7,575	-	7,575
Administration	-	22,896	-	22,896
Operation and maintenance of plant	-	39,768	-	39,768
Transportation	<u>-</u>	<u>8,805</u>	<u>-</u>	<u>8,805</u>
Total support services	<u>-</u>	<u>79,044</u>	<u>-</u>	<u>79,044</u>
Other expenditures				
Long-term debt				
Principal	-	-	125,000	125,000
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>143,057</u>	<u>143,057</u>
Total other expenditures	<u>-</u>	<u>-</u>	<u>268,057</u>	<u>268,057</u>
Total expenditures	<u>159,561</u>	<u>79,892</u>	<u>268,057</u>	<u>507,510</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,306</u>	<u>(32,716)</u>	<u>(268,057)</u>	<u>(290,467)</u>
Other financing sources (uses)				
Transfers in	-	-	275,535	275,535
Transfers (out)	<u>(430)</u>	<u>-</u>	<u>-</u>	<u>(430)</u>
Total other financing sources (uses)	<u>(430)</u>	<u>-</u>	<u>275,535</u>	<u>275,105</u>
Change in fund balances	9,876	(32,716)	7,478	(15,362)
Fund balances, beginning of year	<u>66,629</u>	<u>77,212</u>	<u>317,705</u>	<u>461,546</u>
Fund balances, end of year	<u>\$ 76,505</u>	<u>\$ 44,496</u>	<u>\$325,183</u>	<u>\$446,184</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Combining Statement of Net Position  
Nonmajor Enterprise Funds  
June 30, 2015

Schedule 3

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$14,326	\$12,335	\$26,661
Accounts receivable	869	-	869
Inventories	5,055	-	5,055
Total current assets	20,250	12,335	32,585
Noncurrent assets			
Capital assets, net of accumulated depreciation	36,837	-	36,837
Total assets	<u>57,087</u>	<u>12,335</u>	<u>69,422</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>7,896</u>	<u>477</u>	<u>8,373</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	494	-	494
Salaries and benefits payable	9,906	767	10,673
Unearned revenue	2,473	-	2,473
Total current liabilities	12,873	767	13,640
Noncurrent liabilities			
Net pension liability	36,372	2,578	38,950
Total liabilities	<u>49,245</u>	<u>3,345</u>	<u>52,590</u>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	<u>14,561</u>	<u>1,032</u>	<u>15,593</u>
<b>Net Position</b>			
Investment in capital assets	36,837	-	36,837
Unrestricted	(35,660)	8,435	(27,225)
Total net position	<u>\$ 1,177</u>	<u>\$ 8,435</u>	<u>\$ 9,612</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2015

Schedule 4

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	\$ 116,492	\$ 15,023	\$131,515
Operating expenses			
Support Services			
Operation and maintenance of plant			
Purchased services	1,468	-	1,468
Supplies	1,172	-	1,172
	<u>2,640</u>	<u>-</u>	<u>2,640</u>
Non-instructional programs			
Food service operations			
Salaries	66,119	3,911	70,030
Benefits	15,075	476	15,551
Purchased services	555	-	555
Supplies	106,171	109	106,280
Property	28	-	28
Depreciation	6,120	-	6,120
	<u>194,068</u>	<u>4,496</u>	<u>198,564</u>
Total operating expenses	<u>196,708</u>	<u>4,496</u>	<u>201,204</u>
Operating income (loss)	<u>(80,216)</u>	<u>10,527</u>	<u>(69,689)</u>
Non-operating revenue			
Interest income	58	-	58
State sources	1,686	-	1,686
Federal sources	77,294	-	77,294
Total non-operating revenue	<u>79,038</u>	<u>-</u>	<u>79,038</u>
Change in net position	(1,178)	10,527	9,349
Net position beginning of year, as restated	2,355	(2,092)	263
Net position end of year	<u>\$ 1,177</u>	<u>\$ 8,435</u>	<u>\$ 9,612</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2015

Schedule 5

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$116,007	\$ 15,023	\$131,030
Cash payments to employees for services	(85,824)	(4,612)	(90,436)
Cash payments to suppliers for goods and services	(94,105)	(109)	(94,214)
Net cash provided by (used in) operating activities	<u>(63,922)</u>	<u>10,302</u>	<u>(53,620)</u>
Cash flows from non-capital financing activities			
State grants received	1,686	-	1,686
Federal grants received	64,399	-	64,399
Net cash provided by non-capital financing activities	<u>66,085</u>	<u>-</u>	<u>66,085</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities			
Interest on investments	58	-	58
Net increase in cash and cash equivalents	2,221	10,302	12,523
Cash and cash equivalents, beginning of year	12,105	2,033	14,138
Cash and cash equivalents, end of year	<u>\$ 14,326</u>	<u>\$ 12,335</u>	<u>\$ 26,661</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss )	\$ (80,216)	\$ 10,527	\$ (69,689)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	6,120	-	6,120
Commodities used	12,895	-	12,895
(Increase) in accounts receivable	(354)	-	(354)
Decrease in inventory	2,198	-	2,198
(Decrease) in net pension liability	(9,999)	(709)	(10,708)
(Increase) in deferred outflows of resources	(7,897)	(477)	(8,374)
Increase in deferred inflows of resources	14,561	1,032	15,593
Increase in accounts payable	197	-	197
(Decrease) in unearned revenue	(131)	-	(131)
(Decrease) in accrued salaries and benefits	(1,296)	(71)	(1,367)
Net cash provided by (used in) operating activities	<u>\$ (63,922)</u>	<u>\$ 10,302</u>	<u>\$ (53,620)</u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2015 the District received \$12,895 of federal commodities.

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2015

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Cross country	\$ 168	\$ 1,231	\$ 867	\$ -	\$ 532
Boys basketball	2,940	7,243	5,603	-	4,580
Football	840	10,337	10,179	-	998
Boys baseball	5,261	12,223	12,829	-	4,655
Boys track	3	755	267	-	491
Boys golf	20	-	-	-	20
Wrestling	107	-	-	-	107
Girls basketball	5,785	12,823	10,858	-	7,750
Girls volleyball	1,473	5,539	5,515	-	1,497
Girls softball	1,183	2,957	1,804	-	2,336
Girls track	373	1,044	806	-	611
Gate money	7,961	60,109	65,903	-	2,167
Lego League	-	156	156	-	-
Weight room	16	-	16	-	-
Cheerleading	201	2,469	1,753	-	917
Vocal resale	2,509	1,921	1,241	-	3,189
HS instrumental	2,233	2,966	4,657	-	542
Supply store	756	4	86	-	674
Elementary art club	4,193	273	925	-	3,541
Pictures	(1,252)	1,115	28	4,074	3,909
Jump Rope for Heart	123	-	-	-	123
Student senate - elementary	402	482	31	-	853
Fine arts	2	2,306	2,175	-	133
Elementary yearbook	1,635	1,480	1,582	-	1,533
Elementary instrumental resale	1,011	1,580	331	-	2,260
Book fair	3,404	4,637	3,780	-	4,261
Drama	1,116	670	261	-	1,525
Art club	745	1,171	1,756	-	160
Pictures	4,982	2,157	803	(4,074)	2,262
Dance	964	6,748	6,114	-	1,598
TADA	-	163	-	-	163
Garden project	420	2	-	-	422
MS Science Club	716	4	-	-	720
Archery Program	1,310	9,879	6,028	-	5,161

See accompanying Independent Auditor's Report.



SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2015

Schedule 6

Account	Balance, End of <u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intrafund Transfers</u>	Balance, End of <u>Year</u>
Yearbook	\$ 957	\$ 2,099	\$ 1,000	\$ -	\$ 2,056
Mfg. Enterprise	299	-	-	-	299
Student senate - MS	1,481	231	-	-	1,712
Student senate - HS	2,255	616	433	-	2,438
Class of 2014	213	-	213	-	-
Class of 2015	4,498	9	2,730	-	1,777
Class of 2016	1,510	7,737	6,343	-	2,904
Class of 2017	1,211	7	-	-	1,218
Class of 2018	1,070	3	-	-	1,073
Class of 2019	537	985	551	-	971
2nd grade - Wittenburg	-	985	551	-	434
Middle school social studies	-	985	551	-	434
Middle school science	-	985	551	-	434
Class of 2020	-	404	-	-	404
Class of 2021	-	163	-	-	163
Class of 2022	-	210	-	-	210
Instrument repair	998	4	714	-	288
Totals	<u>\$ 66,629</u>	<u>\$ 169,867</u>	<u>\$ 159,991</u>	<u>\$ -</u>	<u>\$ 76,505</u>

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues</b>										
Local sources										
Local tax	\$1,615,947	\$1,441,952	\$1,841,031	\$2,222,483	\$2,293,510	\$2,275,398	\$2,129,621	\$2,023,376	\$1,433,756	\$1,294,457
Tuition	403,462	330,235	420,570	184,590	285,147	349,221	305,429	397,711	363,863	329,805
Other	254,517	246,897	217,782	169,937	170,552	174,992	237,613	221,034	192,006	151,998
State sources	2,507,496	2,505,549	2,095,795	2,102,138	2,283,639	1,960,731	2,273,695	2,380,698	2,318,082	2,246,880
Federal sources	81,442	82,722	139,752	187,134	250,962	298,143	169,611	105,700	143,883	85,608
<b>Total revenues</b>	<b>\$4,862,864</b>	<b>\$4,607,355</b>	<b>\$4,714,930</b>	<b>\$4,866,282</b>	<b>\$5,283,810</b>	<b>\$5,058,486</b>	<b>\$5,115,969</b>	<b>\$5,128,519</b>	<b>\$4,451,590</b>	<b>\$4,108,748</b>
<b>Expenditures</b>										
Current										
Instruction										
Regular	\$1,973,049	\$2,063,406	\$2,050,258	\$2,034,475	\$1,855,985	\$1,972,472	\$1,957,702	\$2,079,241	\$1,975,600	\$1,690,720
Special	426,288	490,347	507,369	376,048	307,526	425,680	477,178	379,056	391,669	388,496
Other	436,067	417,308	391,423	375,020	417,725	271,551	465,028	439,642	353,886	350,761
Support services										
Student	144,907	135,274	148,088	137,542	119,006	100,736	99,912	84,957	62,375	55,388
Instructional staff	124,252	195,333	97,858	94,894	77,947	109,824	124,337	166,948	150,601	156,447
Administration	547,316	622,837	686,507	647,203	555,462	517,238	531,365	504,787	472,893	428,280
Operation and maintenance of plant	345,552	399,220	425,248	414,565	394,143	369,381	374,395	404,437	367,717	355,078
Transportation	152,371	247,533	181,760	220,395	111,520	123,553	131,807	217,194	148,735	113,893
Other expenditures										
Facilities acquisition	18,745	30,052	68,943	89,259	1,698,201	2,531,340	213,318	45,821	20,821	84,260
Long-term debt										
Principal	125,000	120,000	235,000	225,000	220,000	185,000	180,000	180,000	170,000	175,000
Interest and other charges	143,057	147,957	156,468	165,119	173,429	99,822	71,134	20,345	23,580	26,504
AEA flowthrough	160,956	159,107	154,723	156,677	176,060	175,015	164,655	164,079	154,878	146,014
<b>Total expenditures</b>	<b>\$4,597,560</b>	<b>\$5,028,374</b>	<b>\$5,103,645</b>	<b>\$4,936,197</b>	<b>\$6,107,004</b>	<b>\$6,881,612</b>	<b>\$4,790,831</b>	<b>\$4,686,507</b>	<b>\$4,292,755</b>	<b>\$3,970,841</b>

See accompanying Independent Auditor's Report.

# Kay L. Chapman, CPA PC

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## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of  
Springville Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Springville Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 21, 2016

### Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Springville Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Springville Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Springville Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I

consider the deficiency described in Part I of the accompanying Schedule of Findings as item A to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Springville Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Springville Community School District's Responses to the Findings

Springville Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Springville Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Springville Community School District during the course of my audit. Should you have any questions concerning any of the about matters, I shall be pleased to discuss them with you at your convenience.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
March 21, 2016

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

**Part I. Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**INTERNAL CONTROLS DEFICIENCY**

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performed incompatible duties. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

**Part II. Other Findings Related to Required Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budget amount in the non-instruction programs functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in compliance with the Code of Iowa to ensure the certified budget amounts are not exceeded.

Conclusion - Response accepted.

2. Questionable Expenditures - No expenditures I believe may not meet the requirements of public purpose as defined in an Attorney General's opinions dated April 25, 1979 were noted.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Iowa Department of Education.
11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2015

Beginning balance		\$ 520,474
Revenues		
Statewide sales and services tax revenue	\$ 328,277	
Other local revenues	<u>284</u>	328,561
Expenditures/transfers out		
Debt service for school infrastructure		
Revenue debt		<u>416,994</u>
Ending balance		<u>\$ 432,041</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

13. Deficit Net Position - The District's business type activities, School Nutrition Fund and Enterprise Funds had negative unrestricted net position at June 30, 2015 of \$35,661 and \$27,226, respectively. The Governmental Activities also had an unrestricted net position deficit of \$1,284,983 at June 30, 2015.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate these deficits in order to return the funds to sound financial condition.

Response - These deficits were a result of implementing GASB Statement No. 68 during the year ended June 30, 2015. We will review the situation and implement changes, as we deem necessary.

Conclusion - Response accepted.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2015

This audit was performed by

Kay Chapman, CPA  
Terri Slater, staff accountant